CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

September 23, 1998

H.R. 3511

A Bill to amend title XI of the Social Security Act to authorize the Secretary of Health and Human Services to provide additional exceptions to the imposition of civil monetary penalties in cases of payments to beneficiaries

As ordered reported by the House Committee on Ways and Means on September 18,1998

SUMMARY

H.R. 3511 would permit the Secretary of Health and Human Services (HHS) to exclude specific payment practices from the prohibition on offering inducements to Medicare or Medicaid enrollees to obtain services from a particular provider. The bill would also permit the HHS Inspector General to issue advisory opinions to individual providers concerning whether a specific payment practice violates the prohibition on offering inducements.

CBO estimates that enactment of H.R. 3511 would increase federal spending by $2 million in fiscal year 1999 and by about $20 million over the 1999-2003 period. Because the proposal would affect direct spending, pay-as-you-go procedures would apply. The bill does not contain any private-sector or intergovernmental mandates as defined in the Unfunded Mandates Reform Act and would not affect the budgets of state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 3511 is shown in the following table. Spending on Medicare benefits would increase by $3 million in 1999 and $25 million over the 1999-2003 period. Most of the new spending would be for services covered by Part B. About 25 percent of new Part B spending would be covered by higher premium payments by beneficiaries, which would amount to about $1 million per year. Therefore, net Medicare outlays would increase by $2 million in 1999 and $20 million over the 1999-2003 period.

	By Fiscal Year, in Millions of Dollars					
	1998	1999	2000	2001	2002	2003
CHANGES IN DIRECT SPENDING						
Medicare Benefits	0	3	5	5	6	6
Part B Premiums	0	-1	-1	-1	-1	-1
Total	0	2	4	4	5	5

The costs of this legislation fall within budget function 570 (Medicare).

BASIS OF ESTIMATE

H.R. 3511 would give the Secretary and Inspector General the authority to grant exceptions to the prohibition on offering inducements to Medicare or Medicaid enrollees to obtain services from a particular provider. The proposal is intended to permit Medicare to establish a safe harbor to permit dialysis providers to subsidize Medicare Part B premiums or Medigap premiums for some low-income patients with end-stage renal disease (ESRD). CBO assumes the Secretary and Inspector General would use the authority for only that purpose.

Individuals of any age are entitled to Medicare Part A and eligible for Medicare Part B if they have ESRD and meet certain Social Security eligibility requirements. ESRD is fatal if not treated with either dialysis or a kidney transplant. About 80 percent of people with ESRD receive dialysis, which is covered by Part B. Therefore, nearly all beneficiaries with ESRD enroll in Part B.

Patients on dialysis incur high out-of-pocket costs. In addition to Part B premiums of nearly $600 per year, dialysis patients' copayments for covered services furnished by dialysis facilities average between $4,000 and $5,000 annually. Nonelderly dialysis patients with limited financial resources and high medical expenses do not necessarily qualify for Medicaid.

CBO's analysis of data from the U.S. Renal Disease System indicates that about 8,000 people with ESRD die each year after voluntarily withdrawing from dialysis treatment. About 6,500 of these withdrawals are due to failure to thrive or other medical complications. Financial stress may contribute to the decision to withdraw from treatment of some of the 1,500 patients who withdraw for other reasons.

CBO assumes that enactment of H.R. 3511 would reduce the number of dialysis patients in extreme financial distress, because dialysis facilities that pay premiums for low-income patients would also be likely to write-off much of the cost-sharing obligations of those

patients. As a result, CBO estimates that the number of deaths following voluntary withdrawal from dialysis treatment would decline by about 100 per year. However, because these survivors would nonetheless have high mortality rates, CBO estimates the net increase in the number of enrollees with ESRD would rise from about 75 in 1999 to 200 in 2008.

CBO estimates that Medicare will spend about $40,000 per enrollee with ESRD in 1999. Therefore, Medicare spending for services furnished to dialysis patients would increase by $3 million in 1999. Most of this spending would be for services covered by Part B, so Part B premium receipts from all Medicare patients enrolled in Part B would increase by almost $1 million. Thus, net Medicare spending in 1999 would increase by $2 million. Over the 1999-2003 period, gross Medicare spending would increase by $25 million, and Part B premiums would rise by $5 million, resulting in a net increase of $20 million.

PAY-AS-YOU-GO CONSIDERATIONS

Section 252 of the Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. The net changes in outlays and governmental receipts that are subject to pay-as-you-go procedures are shown in the following table. For the purposes of enforcing pay-as-you-go procedures, only the effects in the current year, the budget year, and the succeeding four years are counted.

	By Fiscal Year, in Millions of Dollars										
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Changes in outlays	0	2	4	4	5	5	5	5	5	5	5

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 3511 contains no private-sector or intergovernmental mandates as defined in the Unfunded Mandates Reform Act and would not affect the budgets of state, local, or tribal governments.

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